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СРАВНИТЕЛЬНЫЙ АНАЛИЗ РЫНКОВ МИНЕРАЛЬНОЙ ВОДЫ РОССИИ И УКРАИНЫ

COMPARATIVE ANALYSIS OF MINERAL WATER MARKETS IN RUSSIA AND UKRAINE

Аннотация. *Проанализированы тенденции на рынках минеральных вод Российской Федерации и Украины, в частности: определена роль минеральных и питьевых вод в сегменте прохладительных напитков; выявлены лидеры в производстве минеральной воды и определены объемы производства по ее видам; объяснены сдвиги и сезонные колебания в темпах ее добычи и разлива. Исследовано особенности и динамику потребления воды в России и Украине на душу населения в разрезе ее видов, раскрыты причины различий ее потребления между странами, установлены тенденции и направления развития рынков.*

Ключевые слова: рынок минеральных вод, производство и виды вод, потребление минеральной воды.

Summary. The trends in the markets of the mineral waters of the Russian Federation and Ukraine were studied, in particular: the role of mineral and drinking water in the segment of soft drinks was defined; the leaders of the production of mineral water were identified and the production volumes were determined by its types; shifts and seasonal variations in the rate of its production and bottling were explained. The characteristics and dynamics of water consumption was investigated in Russia and Ukraine by the consumer in the context of its species, the reasons of differences between consumption in the countries were disclosed, trends and market development were discovered.

Key words: mineral water market, production and types of water, consumption of mineral water.

Introduction. Water is the basis for the existence and development of life. Human being consists on 80 % water. Human life-support system has remained unchanged for thousands of years and is based on water-using technologies. For the last 5000 years of civilization development water resources remained unchanged, while the population of the planet has increased by hundreds of times, also anthropogenic needs for its use immeasurably increased [12, page 3]. According to many experts, the cause of most economic and political conflicts of the 21st century will be the struggle for quality water. According to the International Hydrological Programme, 97.7 percent of all water reserves is salt sea-water not suitable for drinking. The remaining 2,3 percent of total amount of water on Earth is drinking water. Moreover, a great part of its reserves is in the form of ice. Thus, there is not so much water suitable for consumption on the planet. Year after year there is more and more information about desiccation of natural freshwater resources. Ecology will not improve significantly soon, and the gradual growth of population's incomes allows mineral water producers to expect reasonably that the demand for treated water will increase. This trend favours the rapid growth and development of the of mineral and drinking water market [8].

If we consider the Russian Federation and Ukraine separately in terms of water resources, they are members of a group of world leaders in terms of mineral water - their resources significantly exceed domestic needs. These countries are the leaders in mineral water production, its bottling and its selling.

Until recently the mineral water market was one of such which quickly developed in the Russian Federation and Ukraine. Actually, it remains the same today, although its growth rate is not so high, because it was affected by the crisis at the end of the 2000s. This hampers the formation of a balanced development strategy of mineral water market and sales. It should be noted that there is a wide range of products in this market now, however considerable surges of volumes of its selling are constantly observed. That is why it is appropriate to analyze the trends and developments in the mineral water market in the context of "production and consumption" and to develop methods for its harmonization and development.

Analysis of recent researches and publications. Conceptual grounds, problems and trends of the development of the mineral water market are examined by such scientists as: A. Azarian, M. Dikalenko, V. Doronin, V. Gaulle, A. Zainchkovsky, A. Kouchnirenko, I. Martynov A. Nikipelova, N. Obiyuh , A. Olesyuk, L. Christmas, S. Fertyuk, I. Shapovalov [2; 5 ;7; 9-11; 14]. However, not enough attention was paid to the analysis of the transformations of the mineral water market in the context of the "production and consumption" that took place in recent years, and to development of proposals for the optimization and harmonization with European standards, requirements and preferences.

The purpose of the study. The purpose of the study is to analyse the trends and transformations that took place in the mineral water market of the Russian Federation and Ukraine, to identify the key factors which influenced these changes, and to develop the proposals which realization will help to overcome the crisis and to optimize sales volumes of these products.

Basic material. Mineral and drinking water occupy the main part of Russian and Ukrainian markets of soft drinks - 66% of the market fall to the share of this segment in Russia (see fig. 1).

Fruit-flavored drinks, kvass, juice drinks account for 17% of the market; cola containing drinks account for 9% of the market; "Retro drinks" such as "Tarragon", "Baikal" and others account only for 8% of the market [8]. It means that the specifics of mineral water market are not only the competition between brands of water itself, but also between products of related categories of drinks. In this situation it is important for water producers to put the accent with help of advertising tools so that their products look for the consumers better than sweet carbonated beverages and juices. Mineral and drinking water producers promote actively a healthy lifestyle, put the accent on the unique properties of water and its usefulness and in such way they tilt the balance of the consumer preferences to their advantage [5, p. 61].

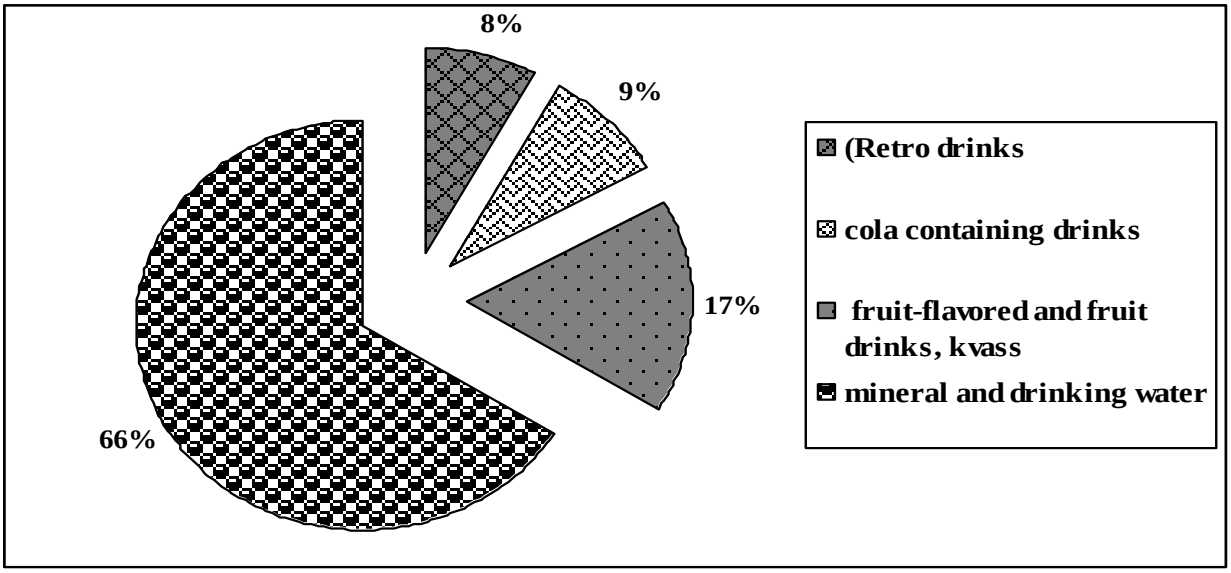

Figure. 1. Structure of soft drinks market in Russia in 2008-2012, in % .

*Source: based on [8].

In general, the mineral water market of the Russian Federation and Ukraine are consolidated: they represent powerful national brands. The market of the first country has four biggest companies: «The Pepsi Bottling Group» (owns trademark "Aqua Minerale"), and «The Coca-Cola Company» (owns trademark "BonAqua»), «Nestle Waters» (owns trademark «Nestle Pure Life»), «Visma" (owns brands "Arhiz" and "Arhyzik"). The leader of the branch in another country is the company «IDS Group Ukraine», followed by the company «Coca-Cola», «Obolon", "Erlan-Biola" and "Ukrainian mineral water", they occupy about 61% of the market [14; 8].

It is necessary to mark out of the leaders of the soft drinks market in Ukraine the «IDS Group», the leading producer on the mineral water market. The company has a balanced portfolio of popular mineral waters, which are produced in the ecologically clean regions of Ukraine and are presented on the market by such brands as "Morshynska", "Mirgorodska", "Truskavetska", "Aqua-Eco", "Truskavetska Crystal", "Old Myrgorod" "Sorochinskaya "," Aqua Nanny "and others. A group of companies «IDS Group» is a part of an international company «IDS Borjomi International» - one of the three largest players on the mineral water market of the CIS and Baltic countries, the leader in the category of natural bottling water.

The mineral water market in Russia and Ukraine are developing, the constant increase in amount of produced water proves it (fig. 2). Only in 2009 there was a slowdown of growth rates of selling water on the markets of the surveyed countries: it was caused by the market saturation with these products, the deterioration of economic situation, the strengthening and deepening of the economic crisis.

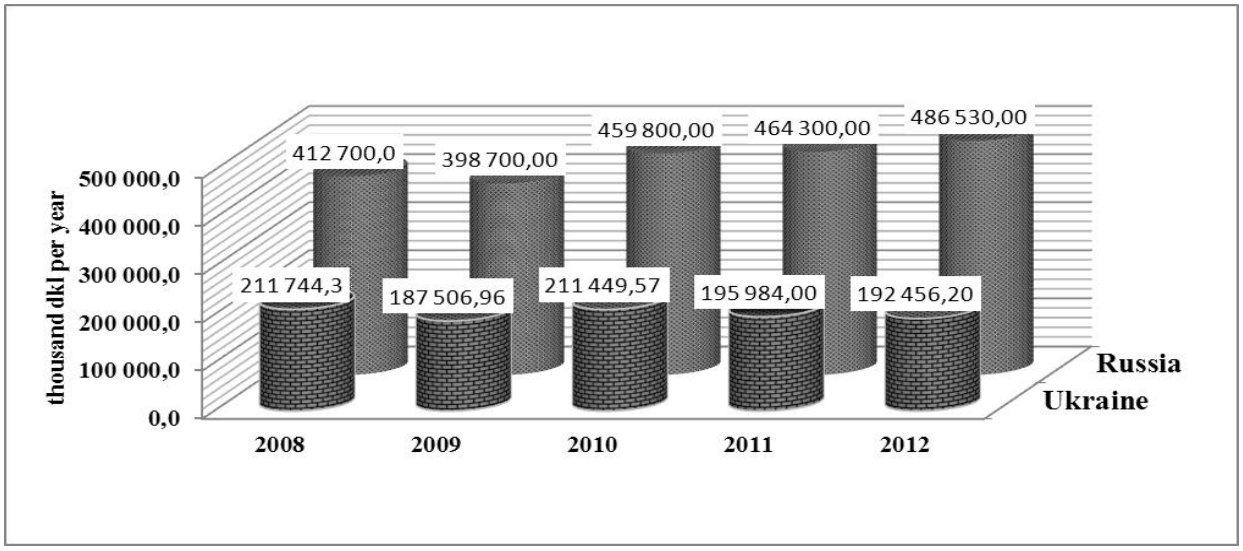

Figure. 2. Water production in Ukraine and the Russian Federation

*Source: based on [4; 11; 12].

If we consider separately the production of water in Russia and Ukraine by types, then in 2012 the enterprises of these countries produced, respectively, 85792 and 33937 thousands dal. of non-carbonated natural mineral water, 235 139 and 93 014 thousands dal. of carbonated natural mineral water, 63741 and 25214 thousands dal. of other carbonated water and 85883 and 40292 thousands dal. of unsweetened, flavored water, ice and snow. For comparison it is necessary to mention that in 2008 the volume of production in Russia and Ukraine was: non-carbonated natural mineral water - 72720 and 34981 thousand dal. respectively, carbonated natural mineral water - 230 056 and 117315thousends dal., other carbonated water - 56356 and 26162 thousands dal. and unsweetened, flavored water, ice and snow - 53539 and 33286 thousands dal. respectively. So, if you compare the production in 2012 in the Russian Federation and Ukraine with 2008, we will find the following: non-carbonated natural mineral water production in Russia increased by 1.2 times, and in Ukraine, on the contrary there was a

slight decrease by 3%; carbonated natural mineral water production decreased by 6% and 21% respectively; other carbonated water production increased by 13%, while in Ukraine there was a decrease by 4%; production of unsweetened, flavored water, ice and snow increased by 1.6 and 1.21 times, respectively.

Also it should be noted that this segment is characterized by seasonality of production. It confirms that the mineral water is a product, which is characterized by seasonal fluctuations, in particular, the volume of sales depends considerably on the climatic conditions of the area and the geographical location on the globe. The sales peak of mineral water is in spring and summer in the Russian Federation and Ukraine with mild climate - at this time there is an increase in consumer demand. Among the main reasons for which the consumer buys mineral water, 27% is thirst quenching, which explains the increase in demand for this product in the hot season. Moreover, the spring is usually characterized by exacerbation of gastrointestinal disturbance and 39% of consumers buy mineral water for the therapeutic purposes. After summer months of peak, usually there is a significant decline in production until November. December is characterized by slight increase in production due to the increase of consumption during the New Year holidays. In January and February production volumes of mineral and drinking water are the lowest [8; 9].

Therefore, it is appropriate to consider the consumption of water per capita in Russia and Ukraine (fig. 3).

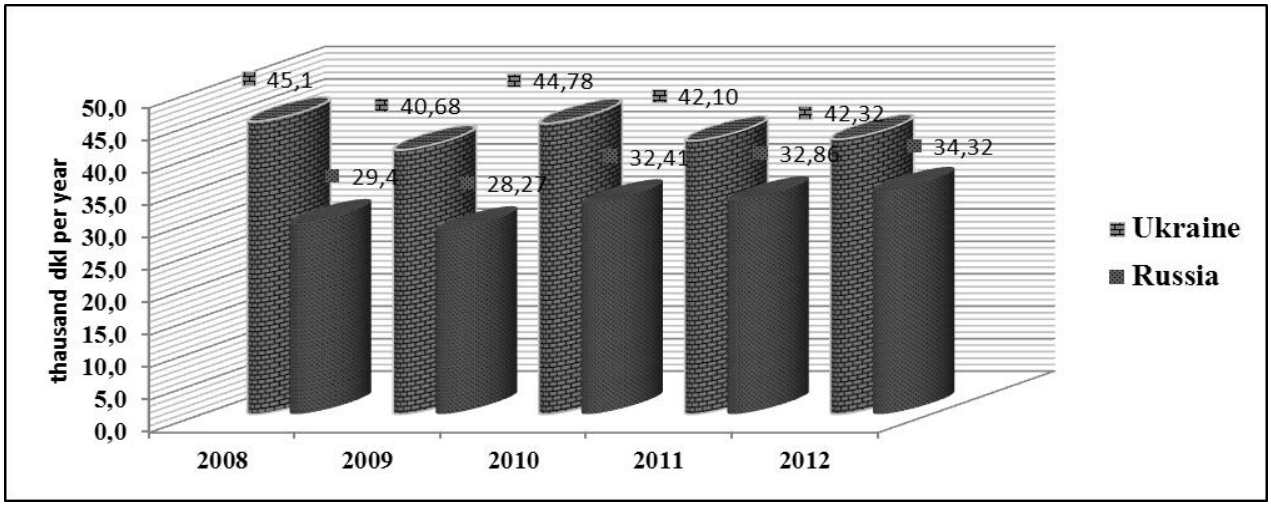

Figure. 3. Water consumption in Ukraine and the Russian Federation per capita

* Source: based on [4; 11; 12].

As we can seen from the data above, the consumption per capita in Ukraine is higher because of deterioration of ecology as a result of the explosion at the Chernobyl NPP, growth of gastrointestinal disturbances, improvement of water consumption culture. However, the whole territory of Ukraine has a temperate continental climate, except of a narrow zone along the coast of the Crimean mountains, where the climate is subtropical, which explains the minor regional differences - by 2-3 times. At the same time, Russia is situated in a completely various climate zones and regional differences in consumption are estimated at almost one order. However, in the whole country is characterized by lower temperature than in Ukraine, and this considerably explains the differences in the consumption amounts per capita.

If to consider water consumption by types, the high mineral water consumption rate per capita is in the segment of carbonated natural mineral water - 17.7 and 21.8 liters per year respectively in Russia and Ukraine. This is three times more than the consumption of natural mineral non-carbonated water and unsweetened, flavored water, other water; ice and snow - 6.1 and 7.5 liters. Other carbonated water is bought less per capita - 4.5 and 5.5 liters respectively. In 2008, the consumption of product items mentioned above was: non-carbonated natural mineral water - 4.9 and 7.6 liters respectively, carbonated natural mineral water - 17 and 26 liters, other carbonated water - 3.7 and 5.7 liters and unsweetened, flavored water, ice and snow - 3.8 and 7.1 liters.

While carrying out the research, it was established that in Ukraine people consume more mineral water than in Russia, but the consumption of water per capita in the Russian Federation has a steady trend to growth, even the economic crisis has not had a significant effect in comparison with Ukraine. This situation with the water consumption in Russia is explained by a complex of reasons, in particular:

• a lot of visitors come on a regular job to Russia from the post-Soviet countries;

• great number of transit passengers and foreign tourists;

• average salary in Russia is half as much as in Ukraine, with regard to payments "in envelopes" - not less than twice that, accordingly, is a necessary prerequisite to increase spending of consumers on buying of mineral water;

• there is a constant improvement of nutrition culture, which provides the mandatory use of table and medical water, etc.

It should be noted that the consumption of mineral water in Russia per capita is about 29-34 liters per year, in Ukraine this index a bit higher, but it is several times lower than in developed countries, where the index is more than 150 liters per year. For comparison, in the EU people annually consumes about 104 liters of water per person. The most active consumption is typical for Italy - 189.1 liters/pers., Germany - 165.3 liters/pers., Spain - 123.5 liters/person. In this regard, experts regard quite optimistic the prospects of market development in Russia and Ukraine, which have a great potential because of insufficiently high consumption rate, in comparison with foreign countries [12; 13].

Generally, the increase of consumption of bottling water is caused by several factors, in particular:

• deterioration of ecology;

• active advertising companies of water producers;

• promotion of active and healthy lifestyle in the media;

• a high level of awareness among people of chemical composition and the usefulness of mineral water;

• approximation to European standards and traditions of water consumption, etc.

The key factors of consumer choice in the market of mineral and table water in the Russian Federation and Ukraine are the flavor (28%), confidence in the quality (20%), price (15%), therapeutic properties (14%), fame of brand (11%). Consumers pay less attention to the mineral composition (7%), the appearance and design (3%) and other factors (2%). The fame of brands as well as the confidence in the quality actually create the basis for a high cost of brand of mineral and table water, in which base, as a rule, people try to lay all five factors.

According to a research of consumer preferences concerning container volume, it is rational to produce such volumes: 0.5 liter, 1 liter and 1.5 liter in the ratio 15:60:25 [5, p. 58-59].

It is necessary to underline that there are some differences in the distribution channels of carbonated and non-carbonated water, namely, in the first case 40% of water is sold through the supermarkets and large stores, while in the second case, the mentioned channel provides only 21,5-22%.

In the period of 2008-2012 the main distribution channel in the segment of carbonated water are the kiosks, which sell almost the half amount of sales volumes. Generally, the segment of carbonated water has a balanced structure of different trade formats [12].

Mostly, consumers buy mineral water in a conventional grocery store, where there are other foods in addition to mineral and table water. On the second place in popularity is kiosk / tent - 29.3% percent of citizens bought here mineral and table water in summer, most of them have a refrigerator, and a cool mineral water is known to be the best thirst quencher. Slightly more than 8.4% of respondents buy water in large department stores / grocery stores and other 8.2% - in the wholesale markets. These shops are popular among people, who does shopping once a week in sales outlet with the most diverse range of products, including mineral water. About 4.7% of respondents buy water in the street-stall, but regarding the seasonal factor, it is possible to assume that this type of sales outlet is popular only during the hot summer period, that is why it has no great effect on the structure of the sales. Another 4.4% of respondents prefer buying mineral and table water in supermarkets. [3]

Conclusions. Mineral water market has bright future for further development, because the demand for water will be increasing faster than the population growth. It is also predicted that an average annual consumption of water per person will rise. This is connected with improvement of welfare and living standards, transfer to modern food standards and improvement of sanitary conditions among citizens of the Russian Federation and Ukraine. It is proved by the fact that if a person has chosen a quality mineral water ones, it is only for extraordinary events to make him refuse of the product. Popularization of a healthy lifestyle and increasing of attention to people’s own health plays an important role, especially taking into account poor environmental

situation and low quality of tap water. It is for this reason that the mineral water market grows.

Выводы. Рынок минеральных вод имеет благоприятные перспективы для дальнейшего развития, поскольку спрос на воду будет повышаться по-прежнему быстрее численности населения, также предполагается увеличение среднегодового потребления воды на душу населения. Это связано с объективным ростом благосостояния граждан Российской Федерации и Украины, повышением уровня жизни, переходом к современным нормам питания и более качественным санитарным условиям проживания (если человек уже перешел на качественную минеральную воду, то отказаться от данного продукта его могут заставить только экстраординарные события). Значительную роль так же играет популяризация здорового образа жизни и растущее внимание граждан к собственному здоровью, на фоне неблагоприятной экологической обстановки и низкого качества питьевой воды из крана. Именно последнее обстоятельство и стимулирует постоянное расширение рынка минеральной воды.

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